

# Fiscal Note

*Fiscal Services Division*



---

**HF 121** – Federal Unemployment Insurance Conformity (LSB 1325HV)  
Analyst: Kenneth Ohms (Phone: 515-725-2200) ([kenneth.ohms@legis.iowa.gov](mailto:kenneth.ohms@legis.iowa.gov))  
Fiscal Note Version – New

---

## **Description**

**House File 121** does the following:

- Prohibits Iowa Workforce Development (IWD) from relieving an employer of charges against the employer's account for an overpayment of unemployment compensation benefits if the overpayment occurred because an employer, or an agent of the employer, failed to respond timely or adequately to the IWD's request for information relating to the payment of benefits.
- Removes the prohibition against charging an employer's account for an overpayment of unemployment compensation benefits when the overpayment is not recovered from the claimant because the employer did not participate in an initial determination to award benefits and the overpayments occurred because of a subsequent reversal on appeal regarding the issue of the claimant's separation from employment.
- Establishes a penalty of 15.0% of the amount of the overpayment for individuals that receive unemployment compensation benefits through fraud.

## **Background**

The federal [Trade Adjustment Assistance Extension Act of 2011](#) required states to assess a penalty of no less than 15.0% of the amount overpaid on benefits determined to be obtained through fraud. The Act also prohibited states from relieving an employer of benefit charges if the employer, or agent, caused an inappropriate payment. These changes are required to be made by October 21, 2013.

## **Assumptions**

- The IWD will incur an annual expense of \$28,500 for a part-time Fraud Investigator (0.5 FTE position).
- Fraud overpayments in calendar year 2008 were \$3.9 million. Calendar years 2009-2011 were not used because these years accounted for the highest benefit payouts in the history of Iowa's Unemployment Compensation Trust Fund.
- Revenues generated from penalties assessed will be deposited in the Unemployment Compensation Trust Fund.

## **Fiscal Impact**

There is no impact to the General Fund.

The Unemployment Compensation Trust Fund will be unaffected by the benefit charges levied against employers for an overpayment of unemployment compensation benefits due to the employer or agent's failure to respond timely or adequately to the IWD's information requests. These costs are currently generalized and spread across all employers and will now be charged specifically to the employer responsible.

The resulting penalty assessment on fraud overpayments will generate an estimated \$587,000 in revenue for the Trust Fund. This revenue could decrease over time as the penalty acts as a deterrent to individuals committing fraud in order to receive benefit payments.

The cost associated with the Fraud Investigator will be paid from the Unemployment Insurance Administration State Grant.

This legislation is necessary to conform to federal law and to maintain a State-certified unemployment compensation program. If this legislation is not enacted, it may result in Iowa losing State certification and could result in the loss of the current 5.4% federal tax credit for Iowa businesses. The loss of the tax credit may result in Iowa businesses paying an additional \$378 per employee for a total increase of \$500.0 million annually in federal unemployment taxes.

### **Sources**

Iowa Workforce Development  
U.S. Department of Labor

---

February 6, 2013

---

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

---